

DIRECT LOANS

DIRECT LOANS: A TRUE PUBLIC/PRIVATE PARTNERSHIP

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The private sector plays a major role in the Direct Loan program and is responsible for the core administrative tasks associated with servicing and collecting an estimated \$12 billion portfolio at the end of the 1995-96 year. The Department of Education's private-sector partners are internationally known for their expertise:

Electronic Data Systems (EDS) —prime contractor

Computer Technology Services, Inc.

Price-Waterhouse LLP

Hewlett-Packard

Informix

Genesys

Computer Data Systems, Inc. (CDSI) —prime contractor

AFSA Services (Division of Fleet Bank)

Anderson Consulting

Digital Equipment

Deloitte and Touche Corporation

BTI

National Computer Systems (NCS) —prime contractor

MARKET-DRIVEN INCENTIVES...

Direct lending focuses funds on improving services to students and institutions by employing market-based competition to introduce accountability and responsiveness to the student loan program. Contracts are awarded on a competitive, best-price-to-value basis, with customer service structured into each contract.

MARKET-BASED STRUCTURE...

Simplicity and streamlining are achieved through the Direct Loan program by reducing the number of players in the student loan process —currently more than 7,000 banks, 90 secondary markets and 41 guaranty agencies are involved— and by establishing a direct, accountable relationship between the Department of Education and the contractor.

MARKET-RECOGNIZED BENEFITS...

The Department of Education's private sector partners earn taxable revenues that will help reduce the federal deficit. Over the next six years, the private sector will hire additional tax-paying workers in states like Alabama, California, Maryland, New York, Texas and Virginia. As additional loan servicers are used, additional employment will accrue to the private sector.
